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17 December 1975

MEMORNDUM FOR: Mr. Duckett
Mr. Proctor
Mr. Nelson
Mr. Blake
Mr. Carver
Dr. Chamberlain
Mr. Warner
Mr. Iams
[redacted]
Mr. Knoche
Mr. Taylor
[redacted]

Herewith a draft response to the Ogilvie paper for our 1700 meeting. It reflects a hasty conversation this morning with the DCI and some input to him from the IC Staff, but I don't guarantee he won't want major changes tomorrow. This has not yet been checked against the final text, which just arrived.

The detailed comments referred to are still in preparation, but should be available by 1700.

[redacted]
RICHARD LEHMAN

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Dear (Jim)

1. Don Ogilvie and his colleagues have done an excellent job in prospecting the ground on which the intelligence structure of the future must be built. Each of us who comment will have his own personal views and his own problems with the paper. In stating my own, I do not want to detract from my admiration for the effort and expertise that went into it. What follows, however, must necessarily emphasize the problems rather than the strengths.

2. In my detailed comments, which are attached to this letter, I will discuss the full range of topics covered by the Study Group. Here I wish to concentrate on organization and management, the most difficult and ultimately the most important of the issues we face.

3. I believe the future structure for American intelligence should rest on the following principles:

--The DCI should have full and easy access to the President and National Security Council, but should not act as a partisan political supporter of the Administration.

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--He should be able to provide the President and the NSC and, to the extent feasible, the Congress with assessments of foreign events based on analysis independent of the major government departments.

--The system that supports him should be shaped to provide the best possible intelligence; resource allocations, procedures, and organization should be driven by the substantive goals set by national needs for intelligence.

--The DCI should have an established relationship with the Secretaries of State and Defense that enables them to work efficiently together.

--The Department of Defense should be assured that the intelligence capabilities it needs in wartime will be available.

--That portion of the Defense budget allotted to national intelligence resources should be clearly identified and segregated from the Defense budget proper.

--In assessing foreign events competition in analysis should be encouraged. In

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collection, duplication should be avoided except where it greatly increases the chances of acquiring vital intelligence.

--The Intelligence Community should be managed with due regard for resource constraints. (This point is put last for a reason. Too many studies of intelligence approach it with a total focus on economy. Economy is necessary, indeed it is incumbent on all intelligence managers to make hard choices to that end, but it should not be an end in itself. The purpose is to produce good intelligence).

4. Effective management of an intelligence organization built on these principles will depend to a considerable extent on the way ~~in structures~~ it structures the relationship between the DCI and the Secretary of Defense. My basic criticism of the Study Group's report is that it deals with a number of separate aspects of this problem, but does not pull them together so as to focus attention on its fundamental importance. In simplest terms, the DCI is supposedly responsible for "planning and reviewing all intelligence activities and the allocation of all intelligence resources." Of the

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total intelligence budget, however, the Secretary of Defense controls 85 percent and the DCI 15. On the other hand, the CIAP, NRP, and CCP make up the bulk of national intelligence budget, yet they are less than 3 percent of the Defense budget. These two statistics mean that:

- Defense has a preponderant voice in how intelligence money is spent.
- When faced with a choice between primary and secondary goals, warfighting capabilities or intelligence capabilities, Defense will naturally choose warfighting.
- Intelligence money matters so little in the total Defense picture that it tends to be overlooked.

Together they mean that, under present arrangements, unless a DCI and a Secretary of Defense see things the same way, the former is not going to be able to do his job.

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5. Against this background, my reaction to the options developed by the Study Group paper is that we are not yet ready to ask the President to make a definitive choice on a future intelligence structure. Organizational questions are exceedingly complicated. There is no "one" solution to the problems that face us, and every change in one function has repercussions in others that may be impossible to foresee. The Study Group's options will be extremely useful in illustrating for the President the range of choice, but should not be used as a basis for decision. In my view, we should seek from the President a general indication of the direction in which he wants to move. We should then present for him, after careful staffing, the choices he has within that guideline.

6. My comments on the Options themselves are derived by testing these against the principles stated above. By that standard:

--Option 1, which centralizes control of national systems under a DCI, cannot meet Defense's legitimate requirements.

--Option 3 effectively destroys the DCI's present limited authority, and thereby makes it impossible for him to be an effective advocate of independent intelligence positions at the NSC level.

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--Options 2 and 4 would appear compatible with the principles stated. Option 2 has serious workability problems but goes about as far as I think we can go in strengthening the DCI relative to Defense. Option 4 does not have these problems but, as it stands, leaves the basic problems of management and resource allocation about where they are *now*.

7. The first question that the President must decide is whether major change in intelligence organization is a goal to be sought this year. (Of course, Congress has some initiative in this regard.) I believe that such a move this winter would be a mistake. There are many arguments that can be advanced against major reorganization, but the most important to my mind are: a) a major Congressional debate on intelligence organization in an election year is to be avoided at almost all costs, and; b) there is no great public demand for reform in intelligence management, as opposed, for instance, to intelligence oversight. On the other hand, without major change it is still possible to achieve better management of the Community. I would therefore present for consideration not Option 4, which I believe too weak, but a modification of it.

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8. This proposal, which is attached, differs from Option 4 more in intent than in substance. It is specifically aimed at reaching the kind of DCI-SecDef relationship that I believe essential, but without the traumatic change in bureaucratic equities required by Option 2. (On the other hand, it gives no additional muscle to the DCI). It provides a central mechanism for managing the Community, and it makes a clearer distinction between resource issues, where the DCI is at best first among equals, and substantive issues, where he is and should be a great deal more. I think it offers promise for real progress with a minimum of disruption.

9. While it is true, as the Study Group emphasizes, that Option 4 (or the attached modification) could be carried out by administrative rather than legislative action, I believe that strong confirmatory legislation will be required to achieve survival and endurance of the recommended changes. The authorities and responsibilities of our complex Intelligence Community should not be left to the ephemeral conditions created by bureaucratic conflict and changes in Administration. Executive action can start us on our way to the changes set forth in Option 4, but the ambiguities of the existent statutes must be corrected if we are to find any degree of stability in the new organizational arrangements.

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10. All of the above is predicated on a decision to avoid the disruption of major change this year. If, however, the President feels that a major reorganization is required, then I believe Option 2 provides a tentative basis for planning a proposal, primarily because it seeks a solution to the central DCI-SecDef problem. Should the President go that route I would recommend that he give the departments and agencies time to consider the detailed consequences of the Option 2 approach before finally committing himself to it.

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Option 4, Modified - "Collective Management"

RATIONALE

This Option starts from the premise that stronger management of the Intelligence Community is highly desirable, but that the balance of interests reflected in the present structure is a realistic one and should be maintained. It presents a concept for achieving a degree of collective management while preserving present organizational relationships. It requires a minimum of legislative change.

SUMMARY DESCRIPTION

The DCI would continue to be advisor to the President, coordinator of the Community, and Director of CIA. The present structure of Committees and Boards would be consolidated into two, both chaired by the DCI: an Executive Committee of the NSC for Intelligence at the deputy secretary level, responsible for all Community management and policy matters, and a National Intelligence Board at the present USIB Principals level, responsible for substantive production. To enable the DCI to give more attention to his Community responsibilities he would be provided with a second deputy.

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PRIMARY CHANGES AND EFFECTS

The DCI's Responsibilities

The DCI would be the President's chief intelligence advisor, would be a non-voting member of the NSC, and would remain Director of CIA. He would be responsible, under the NSC, for the coordination of national intelligence policy and for the production of national intelligence. A clear distinction would be made, however, between his Community and CIA roles.

To this end, he would be provided with an additional Deputy, appointed by the President and confirmed by Congress. The present Deputy would be specifically responsible for managing the Agency under the DCI; the other Deputy would be responsible under the DCI for coordination of the Community. The DCI would have an Agency office at Langley and a Community office downtown, where his Community Deputy would be located.

Coordination of National Intelligence Policy

The present structure of boards and committees would be rationalized, on the basic principle that policy and resource matters requiring a balancing of

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departmental interests would be considered collectively by the senior officers controlling the assets and resources concerned. A separate forum would be provided for substantive intelligence issues, on the grounds that these are inappropriate for policy officers to adjudicate and that departmental interests are protected by the right of dissent.

For the first of these purposes the DCI would chair an NSC Executive Committee for Intelligence, with Deputy Secretaries of State and Defense as members. The Committee would have under control of its members all important intelligence assets, and would act as a board of directors for national intelligence. EXCOM(I) would absorb the functions of NSCIC, EXCOM (NRO plus equivalent responsibilities for NSA), IRAC, and USIB (except national intelligence production). It would in addition coordinate policy matters affecting State and the Community, such as cover, technical collection bases overseas, and intelligence agreements with foreign countries.

The DCI's "Community" Deputy would be his alternate in EXCOM(I) but would not serve as Chairman in his absence. The IC Staff would be the secretariat of EXCOM(I). The

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DCI would carry out his existing responsibilities for the NFIP (less its tactical and departmental components) with the assistance of the Committee. EXCOM(I) would have approval authority for the NFIP (CIA, NRO, NSA, and some elements of the GDIP) and its decisions would be binding. The DCI would have administrative and resource authority only over CIA. Present administrative arrangements for the NRP and NSA would be preserved.

Production of National Intelligence

USIB would be reconstituted as a National Intelligence Board, limited by charter to substantive matters, and advisory to the DCI. The NIO's would act as the DCI's staff for the NIB. The Board would be chaired by the DCI, with his "Agency " Deputy as CIA member. The latter would serve as Chairman in his absence. (Such a board might even be thought of as a Board of National Estimates.)

Covert Action

The DCI would be a member of the 40 Committee, but not its Chairman, with his Agency Deputy as alternate. Clandestine collection and covert action would remain assigned to CIA, without change in present arrangements.

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Oversight

Without administrative authority over the Community, it would be inappropriate for the DCI to have an IG responsibility except over CIA. This Option assumes an Executive oversight mechanism at the NSC or White House level.

Congress

The DCI would continue to be the Community spokesman to Congress.

National/Tactical Problems

EXCOM(I) would handle matters relating to the relationship between tactical and national intelligence. The DCI would have no responsibility for the tactical intelligence budgets of the military services.

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Detailed Comments

A. "Abuses"

1. Guidelines on Propriety

An Executive Order which promulgates a code of standards for the conduct of intelligence activities, as proposed, could serve constructive purposes, both internally and publicly. However, it should have positive elements as well as restrictive elements. As to its limits on activities which can be taken to protect intelligence sources and methods, this should not be separated from our often stated position on the need for additional legislation in this area.

2. Executive Branch Oversight

a. I have already taken steps to strengthen the CIA Inspector-General, in accordance with the Rockefeller Commission recommendations. As to a Community-wide IG, this should depend on the degree of authority vested in the DCI. Under Option 1 he clearly could exercise this responsibility, and perhaps under Option 2. Under Option 3 and 4 he clearly could not.

b. I am attracted to the idea of a government-wide IG, and recommend that this proposal be seriously considered.

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c. It may well be that the President will find it useful to designate an independent oversight body, e.g., one outside of the Intelligence Community. However, Executive oversight and the Community IG function should not, in my view, be made a responsibility of the National Security Council Intelligence Committee or of the PFIAB. My preferred course is Option 4 Modified, which would change markedly the character of NSCIC. Moreover, prevention of abuses and improvement of product [#] don't mix well. As to PFIAB, I have the same problem of mixing incompatible functions, despite the findings of the Rockefeller Committee and Murphy Commission, ~~It~~ is doubtful that a part-time Board, even with a greatly expanded permanent staff, could effectively engage this problem. Within the Executive Branch, the DCI is responsible to the National Security Council, and Community oversight should flow in that direction to avoid oversight and inspection proliferation.

3. Intelligence Policy Coordination

Intelligence policy coordination should follow the same lines as Executive oversight in view of the NSC's statutory duty of integrating domestic, foreign, and military policies relating to national

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security. This suggests that whatever new coordination arrangements are necessary should be made through the NSC structure, expanding it when and if needed. A second Intelligence Adviser to the President for this purpose does not appear politic or advisable. On the other hand, the DCI should not be involved in matters concerning domestic affairs. It is unfortunate that the Study Group's charter did not extend to counter-intelligence, because it is here that the problem of intelligence policy coordination is thorniest.

4. The 40 Committee

I believe the 40 Committee should be continued and strengthened to provide policy approval for covert action. Improved review could be achieved by redesignating the Attorney General as a Committee member, with additional representation from other departments as the subject demands. A small permanent staff or even ad hoc arrangements to provide for substantive analytic input on the need, risk, and potential benefits of selective operations would also be valuable.

B. Intelligence Community Leadership

My position on these matters is contained in my basic letter and the Modified Option 4 appended thereto. The following comments are supplementary; they are not directed specifically to the options, but largely to topics that

I believe should be included in any discussion of community organization.

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1. The paper does not bring out for the President, perhaps because it takes for granted, the crucial importance to any DCI of an independent analytic capability. Without such, no matter what his paper independence, he is the prisoner of departmental analysis. With it, he can challenge long-standing departmental positions and stimulate new attacks on stubborn problems.

2. The paper gives insufficient emphasis to the importance of an authoritative and informed focus in the Executive for preparing the intelligence program and defending the budget before Congress. Congress is moving aggressively toward assuming what are essentially management functions over intelligence programs. This trend can only be reversed if the congressional members of the appropriations committees develop confidence in the Executive both with respect to the intelligence program and execution of the budget.

3. The document does not discuss the importance of maintaining an independent capability for developing technology and applying this technology to technical collection programs. It has been demonstrated innumerable times in

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the past, that on its own initiative the DoD, concentrating as it must on weapons rather than intelligence, is frequently not willing or capable of carrying forward technical initiatives in critical areas.

4. We must flag the importance of maintaining flexibility in intelligence budget execution.

In the past this flexibility has been provided primarily through informal understandings between the Executive and key congressmen and senators. Changes in Congress have largely negated this flexibility and no adequate alternatives have been developed. It is particularly important that the intelligence budget not be subjected to Defense appropriation expenditure rules. The FY-76 Appropriation Bill contains language moving strongly in that direction.

Legislation is required establishing appropriate rules uniquely tailored to intelligence programs.

5. I strongly support the Study Group's recommendation that the DCI's responsibility for the tactical intelligence budget, assigned to him by the Presidential Letter of 1971, be ended. This is an unworkable arrangement. I believe the DCI should be responsible for ensuring the integration of tactical and national systems*

*Including the responsibility to avoid duplication of national capabilities in tactical systems.

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but that the fighting services should propose, defend, and executive their own budgets for their own tactical intelligence requirements.

C. Covert Action

I believe it essential that responsibility for covert action remain in CIA and remain an integral function of the CIA Clandestine Services.

D. Management Improvements

1. Budgetary and Fiscal Controls

a. As I have stated on numerous occasions, I am opposed to the publication of any U.S. intelligence budget figures. I recognize, however, there is need to improve the flow of budget information to those members the Congress selects to review the intelligence budget, under appropriate security safeguards.

b. I believe that additional controls by OMB, particularly on reprogramming, would serve no purpose whatever in preventing "abuses". Rather, (see my comments in B.4 above) they would further reduce the ability of US intelligence to respond to new challenges. If the purpose is better intelligence, this is going in the wrong direction.

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2. Miscellaneous

a. I take a somewhat different view of the problems of compartmentation. Despite compartmentation, there is no barrier to provision of any intelligence to the senior consumer who really needs to know. Rather, excessive compartmentation at the working analyst level inhibits the analytic process and results in the production of finished intelligence for the senior consumer that is not as good as it might be.

b. The Study's comments on consumer interaction with the Intelligence Community and needed improvements are valid.

c. With respect to a Performance Evaluation System, we are continuing to develop such a system with the advice and cooperation of USIB and IRAC through the mechanisms of the Key Intelligence Question Evaluation Program.

d. I would put rather more strongly the need for the NSC to address the problem of cover for CIA abroad. Without adequate cover, pious affirmations of the value of clandestine collection have no meaning.

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